

Period Covered: _____

SUPERVISORY COMMITTEE ANNUAL AUDIT

AND INTERNAL CONTROL CHECKLIST

This checklist is designed to be used in conjunction with the workpapers and reports found in the Supervisory Committee Guide from NCUA. This form should be completed annually, and retained with the workpapers or included in the report. **Completion of this checklist by the Supervisory Committee or external auditors will be considered by the Administrator in determining if the Supervisory Committee has made a thorough annual audit as required by K.S.A. 17-2211(d).**

The work procedures listed below are minimum procedures to be performed. They should not be construed as restrictive. Circumstances relating to individual engagements or situations encountered may make it necessary or desirable to expand certain procedures, or extend procedures to other areas. Additional procedures performed should be documented as a separate exhibit to this document. **Workpaper references should be included to provide a cross reference to the applicable area where the work was performed.**

All internal control questions should be answered "Yes", "No" or "N/A". **Any questions which are answered "No" should be explained and followed up by the Supervisory Committee until appropriate correction has been made. Any questions answered N/A should also be explained.**

CASH ON HAND				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep by	Date	Wrkpr Refer	Comments
1. Select a sample of tellers and vaults and conduct surprise cash counts. Request that the person responsible for control over each cash fund be present during the counts. Obtain the tellers' signatures after the count acknowledging receipt for the return of cash. If the credit union has automated teller machines, a count of those funds should be made.				
2. Compare the totals on the tellers' cash sheets to your counts and reconcile any differences.				

3. Reconcile the totals of all the teller cash sheets to the general ledger total and account for any differences.				
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CASH ON HAND (CONT'D)	Prep. by	Date	Wrkpr Refer	Comments
Required Minimum Procedures				
4. Obtain the credit union's policy regarding teller cash limits and determine that all tellers are in compliance as of the testing date.				
Internal Control Related Questions	Yes	No	N/A	Comments
1. Are cash over and short items recorded accurately each day, and are such items reviewed frequently by management?				
2. Are cash receipts balanced daily and entered as of the day on which they are received?				
3. Are adequate precautions taken to prevent credit union funds from being commingled with personal funds of personnel?				
4. Are bank deposits prepared by an employee who is not a teller, and made within the time limits provided in the credit union policies?				
5. Are adequate safekeeping facilities provided for all cash and other liquid assets in the custody of the credit union?				
6. Are currency shipments received and counted under dual control?				
7. Are dual controls established for vault cash?				
8. Does each teller have bait money?				
9. Do all tellers have sole access to their own lockable cash drawer, and are all spare keys kept under appropriate control?				
10. Do all tellers have their own controlled cash drawer in the safe or vault to store cash supply during non-working hours?				
11. Is each teller's cash verified periodically on a surprise basis by a supervising employee or internal/external auditor?				

12. Is there appropriate receipting for transfers of funds between cash drawers of employees or tellers?				
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CASH ON HAND (CONT'D)				
Internal Control Related Questions	Yes	No	N/A	Comments
13. Do all tellers stamp checks as they are received with a restrictive endorsement (i.e. "credit union name, For Deposit Only, account number")?				
14. Are tellers prohibited from processing their own checks and processing transactions on their own personal credit union accounts?				
15. Are the cash supplies assigned to tellers kept at levels in accordance with credit union policy?				
16. Are mail receipts and night depositories opened and recorded under appropriate internal controls?				
17. Are maximum limits established for tellers cashing checks or disbursing share withdrawals without approval?				
18. Are teller differences required to be reported to management according to credit union policy?				
19. Are cash drawers counted for tellers who were absent more than one business day?				
CASH IN BANKS AND CORPORATE CREDIT UNIONS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep. By	Date	Wrkpr Refer	Comments
1. Prepare positive confirmation requests and mail directly to the correspondent banks requesting them to confirm the balances as of the testing date.				
2. Obtain a copy of the reconciliation for each account as of the testing date. Trace account balances to the general ledger and correspondent bank balance to confirmation received. Perform the following for each reconciliation:				

a . Test the clerical accuracy of the reconciliation.				
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CASH IN BANKS AND CORPORATE CREDIT UNIONS (CONT'D)				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
b. Trace all items on the reconciliation to subsequent clearance by either examining subsequent general ledger entries or bank statements.				
Internal Control Related Questions	Yes	No	N/A	Comments
1. Is the cash account reconciled promptly each month with the statement received from the credit union's financial institution?				
2. Are adjusting entries to the account reconcilment cleared in a timely manner?				
3. Are checks that have been outstanding for a six month period of time transferred to accounts payable, and is a procedure in place to follow-up on such checks?				
4. Is the reconcilment reviewed by someone who is not involved in other cash functions?				
5. Are disbursements made in accordance with policies set forth by the Board of Directors, and are such disbursements properly recorded in the records?				
6. Has the board approved a current list of the names of officials and employees who are authorized to sign credit union checks?				
7. Are adequate measures taken to prevent blank checks from being signed or countersigned?				
8. Are withdrawals from inactive share accounts verified by an official other than the employee making the disbursement?				
9. Is the numerical sequence of checks being accounted for, and spoiled or voided checks properly retained and accounted for?				
INVESTMENT SECURITIES				

<input type="checkbox"/>	Check if this section does not apply.				
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INVESTMENT SECURITIES (CONT'D)				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Count all securities on hand during surprise entry procedures. Reconcile these securities to the general ledger. Observe that securities owned by the institution are segregated from securities held as collateral for loans.				
2. Obtain the investment securities subsidiary ledger as of the previous month end and reconcile it to the general ledger.				
3. Confirm all securities held in safekeeping as of the previous month end with the safekeeping agent. Verify the par value, interest rate and maturity date for each security.				
4. Select a sample of investment purchases that have occurred during the past year and perform the following procedures:				
a. Verify information such as the security description, purchase price, interest rate, maturity date, and par value to the brokers advices and other information.				
b. Compare each purchase to the institution's policies and procedures, such as, permissible investment, properly approved, reported to the board in a timely manner, etc. and note whether the transaction conforms to those policies and procedures.				
5. Select a sample of investment sales if applicable that have occurred in the last year. Verify the proceeds of these sales to brokers advices and other information. Recompute gains and losses and trace them to the general ledger entries.				
6. Trace receipt of income on investments to supporting documentation.				
Internal Control Related Questions	Yes	No	N/A	Comments
1. Are investments within the limitations allowed by Kansas Department of Credit Union's guidelines?				

2. Were investments properly authorized by the Board or Investment Committee and noted in the appropriate meeting minutes?				
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INVESTMENT SECURITIES (CONT'D)				
Internal Control Related Questions	Yes	No	N/A	Comments
3. Has the Supervisory Committee reviewed the written investment policy established by the Board of Directors?				
4. Are adequate safekeeping facilities provided for investment securities?				
LOANS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain and read the credit unions' policies and procedures in the following areas:				
a. Documentation requirements for new loans.				
b. Disbursement of loan proceeds.				
c. Establishment of and compliance with lending limits.				
d. Evaluation of the allowance for loan losses by management.				
e. Transferring loans to non-accrual status.				
2. Read the Board of Directors' minutes and determine that policies and procedures are reviewed and approved at least annually.				
3. Select a representative sample of loans originated during the past year. Inspect documentation in loan files and compare that documentation to institution's policies. Loans should be examined for:				
a. Supported by proper applications, notes and other supporting papers?				
b. Properly screened to prevent over-extension of credit?				

c. Adequately secured by collateral when required?				
d. Granted within State or NCUA requirements and credit union policies?				

LOANS (CONT'D)				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
e. Official/insider loans made without preferential treatment?				
f. Properly approved/recorded in Credit Committee minutes or loan officer reports?				
g. Proper methods used in determining borrowers credit worthiness and ability to repay?				
4. List exceptions found in this loan review and discuss with management.				
5. Reconcile the loan trial balance subsidiary to the general ledger. Verify clearance of any reconciling items.				
6. Select loans from the subsidiary records and recalculate accrued interest due/interest paid. Also inspect payment history for past due status and trace to delinquency report.				
7. Obtain and inspect management's most recent evaluation of the allowance. Compare management's methodology in arriving at the allowance amount with written policies and procedures and related regulations and guidelines.				
8. Review transactions with collection agencies, and if necessary, confirm outstanding balances.				
Internal Control Related Questions	Yes	No	N/A	Comments
1. Are Credit Committee meetings held in accordance with K.S.A. 17-2210?				
2. Do loan officers operate within approved limitations?				
3. Does the Supervisory Committee verify a random sample of all newly approved loans?				

4. Is a complete delinquency report prepared each month and reviewed by the Board of Directors?				
5. Does approval for the charge-off of all uncollectable loans and amounts appear in the Board minutes?				

LOANS (CONT'D)				
Internal Control Related Questions	Yes	No	N/A	Comments
6. Are reports on recoveries of charged-off loans regularly made to the Board?				
7. Does the credit union continue to attempt to collect charged off loans?				
8. Are adequate measures in effect to prevent loans from being disbursed by the person approving the loan?				
PROPERTY AND EQUIPMENT				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain and reconcile the subsidiary ledger (including accumulated depreciation) to the general ledger as of the examination date.				
2. Select a sample of fixed assets and recompute depreciation expense and accumulated depreciation. Physically observe the existence of these assets as well.				
3. From the date of the prior audit trace approval of fixed asset purchases to the minutes and to approved purchase invoices.				
4. Verify any sales to supporting documentation. Recompute the resulting gain or loss or any adjustments due to like kind exchanges.				
5. Verify lease agreements are properly accounted for in the financial statements.				
PREPAID EXPENSES AND OTHER ASSETS				
<input type="checkbox"/> Check if this section does not apply.				

Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain subsidiary ledgers of prepaid expenses and other assets and any deferred charges and reconcile to the general ledger.				

PREPAID EXPENSES AND OTHER ASSETS (CONT)				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
2. Trace a sample of additions to the subsidiary records to supporting documentation such as insurance policies, purchase agreements or invoices.				
3. Recalculate monthly amortization amounts and net month end balance and verify that amortization periods are reasonable.				
OTHER REAL ESTATE OWNED (OREO) AND OTHER REPOSSESSED ASSETS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain and read the policies and procedures relating to OREO and other foreclosed assets.				
2. Obtain subsidiary records and reconcile to the general ledger.				
3. Review OREO property and perform the following:				
a. Inspect legal title to the property and any evidence of liens in the OREO file.				
b. Inspect supporting documentation for the initial recording of the foreclosure, and review accounting for acquisition costs.				
c. Determine that the OREO file contains an appraisal on the property.				
d. Inspect evidence that the institution is attempting to sell the property.				
4. Obtain a detailed schedule of OREO expenses for the prior year and verify to supporting documentation relating to the OREO property.				

5. Obtain a detailed listing of OREO sales during the past year and perform the following:				
a. Verify posting of the sale from the subsidiary ledger to the general ledger for propriety.				
OTHER REAL ESTATE OWNED (OREO) AND OTHER REPOSSESSED ASSETS (CONT)				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
b. Verify the sales price to the appropriate supporting documentation (such as settlement statements or check copy) for accuracy.				
c. Determine that any gain on the sale was accounted for properly.				
d. Examine approval for the sale in the Board minutes.				
SHARE ACCOUNTS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain the detailed subsidiary and reconcile to the general ledger.				
2. Obtain suspense account reconciliations and review for unposted items, holdovers, NSF checks and other suspense type items. Trace selected items to subsequent disposition.				
3. Obtain the overdraft report and perform the following:				
a. Determine that overdrafts were approved in accordance with policy.				
b. Determine that no overdrafts have been outstanding longer than policy allows.				
4. Obtain detail of savings accounts transferred from dormant to active status and verify that the transfer was properly approved.				
ACCRUED DIVIDENDS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments

1. Select a sample of dividend calculations at any month end or quarter end. Recalculate dividend amounts for accuracy.				
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ACCRUED DIVIDENDS (CONT)				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
2. Verify dividends have been properly authorized by the Board, and computed according to State or NCUA rules and the Federal Accounting Manual.				
3. Verify that all share and certificate accounts have proper accruals.				
OTHER LIABILITIES				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain or prepare subsidiaries of various other liability or accrual accounts and reconcile to the general ledger..				
2. Verify subsidiary records to supporting documentation or by recalculation of amounts outstanding.				
MEMBER EQUITY				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Obtain or prepare an analysis of transactions in the equity accounts and perform the following:				
a. Verify net income closings to appropriate income statements.				
b. Trace regular reserve transfers to proper calculations on a quarterly basis.				
c. Trace other transfers within the equity accounts to board approval.				
INCOME AND EXPENSES				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments

1. Reconcile payroll reports to appropriate general ledger accounts.				
2. Reconcile dividend posting reports to appropriate general ledger accounts.				
INCOME AND EXPENSES				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
3. Select a sample of expenditures and trace to approved invoices.				
Internal Control Related Questions	Yes	No	N/A	Comments
1. Are invoices and bills for expenses marked "paid" with the date of payment to prevent being paid more than once?				
CONSIGNED ITEMS (MONEY ORDERS, TRAVELERS CHECKS, TICKETS, ETC.)				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Prep By	Date	Wrkpr Refer	Comments
1. Count all consigned items on hand and verify to internal inventory records.				
2. Request an inventory from the consignor and reconcile to the count.				
Internal Control Related Questions	Yes	No	N/A	Comments
1. Is the reserve stock of consigned items maintained under the appropriate controls?				
2. Are inventory listings maintained and reconcilements prepared on all consigned items?				
3. Are all tellers assigned their own supply of consigned items?				
4. Are working supplies of consigned items kept at a reasonable minimum, and adequately protected during and after business hours?				
5. Does each teller prepare a daily settlement sheet?				
6. Are remittances for sales made on a regularly scheduled basis?				

GENERAL QUESTIONS AND INTERNAL CONTROL ISSUES				
<input type="checkbox"/> Check if this section does not apply.				

GENERAL QUESTIONS AND INTERNAL CONTROL ISSUES (CONT)				
Required Minimum Procedures	Yes	No	N/A	Comments
1. Are officials and employees required to take vacations at least annually?				
2. Are Employees trained to perform each other's duties, and those duties rotated occasionally wherever possible?				
3. Is the salary scale approved by the Board of Directors?				
4. Is possession of the combination for safe or vault limited to essential officials or employees?				
5. Is the combination changed when a person with knowledge of it leaves the credit union?				
6. Are door locks changed each time a person with access to keys leaves the credit union?				
7. Are the proper authorizations changed when an employee leaves or is terminated? (i.e., bank authorization cards, wire transfer cards, borrowing authority, etc.)				
8. Are complete financial statements posted each month where they may be read by the members?				
9. Have the Board and committees held meetings as required by State and NCUA regulations?				
10. Minutes of Board, Credit Committee and membership:				
a. Are they prepared promptly in permanent form?				
b. Are they read and approved at the next meeting?				
c. Are they signed by the appropriate officials?				

11. Have the operations been reviewed to determine that all contingent liabilities are recorded on the books of the credit union?				
12. Does the blanket surety bond meet the minimum standards required by State or NCUA and the needs of the credit union?				

GENERAL QUESTIONS AND INTERNAL CONTROL ISSUES (CONT'D)				
Required Minimum Procedures	Yes	No	N/A	Comments
13. Verify with the insurance carrier that insurance is in force. Are coverages within Board policy?				
14. Are transactions involving member insurance claims confirmed with the insurance company and the beneficiaries?				
15. Is the annual examination report, auditors report, and the Supervisory Committee audit report reviewed and discussed by the Board of Directors promptly after completion and actions taken to correct noted exceptions and violations?				
16. Do the Board and committees report to the membership at the annual meeting?				
17. Has the scope of the procedures been expanded to review additional activities? (i.e., share drafts, credit cards, safe deposit boxes, etc.)				
ELECTRONIC DATA PROCESSING				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Yes	No	N/A	Comments
1. Are records backed up daily by either the credit union or service bureau?				
2. Are daily backup records removed to off-site locations?				
3. Is the physical access to the computer system restricted to authorized persons only?				
4. Is access to the computer system restricted, so as to prevent entering of unauthorized transactions?				

5. Are file maintenance and exceptions reports monitored by supervisory personnel/Supervisory Committee on a regular basis?				
6. Are written contingency operation plans in place to provide protection in event of catastrophic loss of EDP system?				

SECURITY				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Yes	No	N/A	Comments
1. Are adequate measures in place to minimize exposure to robbery, burglary, and embezzlement?				
2. Are security devices installed and in operation and procedures followed as required by State or NCUA and the credit union's need?				
3. Is a written security program in place as required by State or NCUA?				
4. Is a Bank Secrecy Act Policy in place and followed by the credit union?				
5. Are the proper reports filed with State or NCUA regarding security measures in place at the credit union?				
6. Are vital records kept in fire-resistant containers?				
7. Is the file of members' signature cards properly maintained?				
8. Are members' mailing addresses kept current?				
9. Is a record retention program in effect?				
10. Are copies of vital records stored off-site as protection against catastrophic loss?				
11. Is a Records Preservation Log maintained to indicate location of off-site storage of vital records?				
12. Is a Records Destruction Log maintained and are records disposed of in a proper manner?				

VERIFICATION OF MEMBER ACCOUNTS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Yes	No	N/A	Comments
1. Has a member account verification been performed as required by State Law?				

Date performed: _____

Performed by: Supervisory Committee _____

CPA Firm _____

2. Were the following controls followed during the verification?				
a. Physical control of records?				
b. Operating personnel not used in verification program?				
c. General notification to members after program begins?				
d. Direct delivery of statements to committee or auditor?				
e. Direct communication between the committee and member?				
f. Proper handling of "Do Not Mail" and "No Forwarding Address" accounts?				
g. Retention of all verification records?				
WIRE TRANSFERS				
<input type="checkbox"/> Check if this section does not apply.				
Required Minimum Procedures	Yes	No	N/A	Comments
1. Do wire transfers requested by the members require call back verifications?				
2. Are employees accepting wire transfers not allowed to post transfers to member accounts or to reconcile bank accounts?				

3. Are wire transfer request forms prepared and retained for each wire transfer completed?				
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WIRE TRANSFERS (CONT)				
Required Minimum Procedures	Yes	No	N/A	Comments
4. If the credit union utilizes the Fed-line System, have proper controls been established through the system set-up?				
5. If wire transfers are done via outside sources, (i.e., Corporate), are internal controls strictly adhered to by credit union personnel?				

STATEMENT OF THE SUPERVISORY COMMITTEE TO THE BOARD OF DIRECTORS:

(If work performed by the Supervisory Committee)

The Supervisory Committee certifies that this report is based on information obtained from the credit union records and through direct observation by us, or by auditors under our supervision, and that to the best of our knowledge and belief, the statements contained herein are accurate.

(This section must be signed by at least a majority of the members of the Supervisory Committee.)

Supervisory Committee Member Signatures
Date Signed

Supervisory Committee Member Signatures
Date Signed

Supervisory Committee Member Signatures
Date Signed

(If work performed by an independent accounting firm)

This firm certifies that this report is based on information obtained from the credit union records and through direct observation by us, and that to the best of our knowledge and belief, the statements contained therein are accurate.

Authorized Signature and Title
Signed

Date

Name of the Independent Accounting Firm